



PRESS RELEASE

PARIS CLUB REDUCES GHANA'S DEBT UNDER THE ENHANCED HIPC INITIATIVE

1. The representatives of the Paris Club creditor countries met on July 22, 2004, took note of the burden of Ghana's external debt and agreed to recommend to their Governments a reduction of its stock of debt.

The representatives of the creditor countries took note that, given its strong commitment to economic and structural reforms, Ghana had reached on July 13, 2004 its completion point under the enhanced Debt Initiative for the Heavily Indebted Poor Countries (Enhanced HIPC Initiative).

2. In order to contribute to restore Ghana's debt sustainability, they decided to cancel US\$ 821.5 million in nominal terms (US\$ 673 million in NPV terms of January 2001) which represents the Paris Club's share of the effort in the framework of the Enhanced HIPC Initiative.

Most creditors also committed on a bilateral basis to grant additional debt relief to Ghana so that the stock of the debt owed to Paris Club creditors will be reduced by a further US\$ 823 million in nominal terms (US\$ 534 million in NPV terms of January 2001).

Ghana's debt to Paris Club creditors has been reduced from US\$ 1.94 billion to US\$ 300 million as a result of this agreement and additional bilateral assistance.

They welcomed Ghana's determination to implement a broad-based and rigorous economic program which should provide the basis for sustainable economic growth and comprehensive poverty reduction.

3. Ghana committed to allocate the resources freed by the present treatment of the debt to priority areas identified in the country's poverty reduction strategy and to seek comparable treatment from all its other external creditors (including other creditor countries as well as commercial creditors). Paris Club creditors emphasized the importance they attach to a treatment at least as favourable from non-Paris Club creditors to Ghana.

Background notes

1. The Paris Club was formed in 1956. It is an informal group of creditor governments from major industrialized countries. It meets on a monthly basis in Paris with debtor countries in order to agree with them on restructuring their debts.

2. The members of the Paris Club which participated in the reorganization of Ghana's debt were representatives of the governments of Austria, Belgium, Canada, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, Spain, the United Kingdom and the United States of America.

Observers at the meeting were representatives of the government of Denmark as well as the International Monetary Fund (IMF), the International Development Association (IDA), the Secretariat of UNCTAD and the OECD.

The delegation of Ghana was headed by Hon. Yaw OSAFO-MAAFO, Minister of Finance and Economic Planning. The meeting was chaired by Mrs. Odile RENAUD-BASSO, Deputy Secretary at the Treasury of the French Ministry of Economy, Finance and Industry, Co Chairperson of the Paris Club.

Technical notes

1. Ghana's economic program is supported by an arrangement under the Poverty Reduction and Growth Facility (PRGF).

2. The representatives of the creditor countries also agreed to include in the negotiation of Ghana's debt a voluntary debt swap clause.

3. Ghana's public debt was estimated to be US\$ 7.5 billion in nominal value as at end 2003 (source : IMF and IDA documents, dated June 16, 2004 published on the IMF web site www.imf.org and on the World Bank web site www.worldbank.org/hipc). The debt owed to Paris Club creditors as of June 1, 2004 was estimated to be US\$ 1.94 billion in nominal value.